

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2020

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**Davis County Community School District
Board of Education and School District Officials
Year ended June 30, 2020**

Name	Title	Term Expires
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Board of Education

Rod Lynch	President	2021
Alan Bodkins	Vice President	2021
Josh O'Dell	Board Member	2021
Sheryl Wright	Board Member	2021
Doug Dixon	Board Member	2023
Joni Helton	Board Member	2023
Nancy Hougland	Board Member	2023

School District Officials

Dan Maeder	Superintendent	2020
Betsy Bassett	District Secretary/Treasurer and Business Manager	2020
Rick Lynch	Attorney	Indefinite
Danielle Haindfield	Attorney	Indefinite



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Van Maanen, Sietstra, Meyer & Nikkel, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Davis County Community School District
Bloomfield, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Davis County Community School District, Bloomfield, Iowa, as of and for the year ended June 30, 2020, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Davis County Community School District as of June 30, 2020, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 5 through 12 and 42 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Davis County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated February 26, 2021, on our consideration of the Davis County Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Davis County Community School District's internal control over financial reporting and compliance.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

February 26, 2021

Davis County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2020 Financial Highlights

General Fund revenues decreased from \$14,890,413 in fiscal year 2019 to \$14,618,706 in fiscal year 2020, while General Fund expenditures increased from \$14,335,834 in fiscal year 2019 to \$14,723,729 in fiscal year 2020. The District's General Fund balance decreased from \$3,359,569 at the end of fiscal year 2019 to \$3,312,435 at the end of fiscal year 2020, a 1.40 percent decrease.

General Fund expenses increased 1.45 percent in instruction, increased 4.91 percent in support services and increased 2.06 percent in other expenditures.

The District has a solvency ratio of 20.3 percent which is up 1.7 percent from fiscal year 2019. A recommended range of solvency ratios is typically between 5 and 15 percent. Solvency ratio is a calculation used to assess financial health. The solvency ratio is a snapshot point-in-time measure of the percentage of revenue remaining, assuming the district closed its doors on June 30 of the fiscal year, after gathering all the year's revenue and paying all the year's obligations. A District can only impact its solvency ratio by either increasing revenues or by reducing expenditures or a combination of both.

Davis County Community School District has been consciously working to lower the district's solvency ratio by reducing cash reserve levy while maintaining appropriate increases in expenditures as compared to costs of inflation. That effort alone was not enough to reduce solvency due to increase in other revenues, most notably the significant increase in revenue to the general fund created by the transportation equity bill that has now been incorporated into the foundation formula. The district will continue to work towards reducing solvency to appropriate levels (5-15%) in the future but acknowledges challenges recently created by CARES Act funds provided to the district in support of COVID relief. The district intends to have a significant increase in expenditures for the purpose of providing additional efforts towards instruction and services to Davis County students' education that has been impacted by COVID-19.

The District continues to see significant needs to support students with Individualized Education Plans (IEPs). Due to the legislature's resistance to increase the level of Supplemental State Aid at a rate that is comparable to the increase in costs to support special education student needs, it is likely that the District will continue to operate in a deficit in its Special Education Program. While the District decreased staff in the previous year, the need for additional staffing has been identified to meet the current staffing need to support IEPs in the District. The District remains identified as "targeted" for special education in the middle school which justifies the need for continued emphasis in this area. It is highly likely that the District will need to increase special education expenditures to improve student achievement in the middle school specifically. This will likely create an increase in the Special Education deficit in the future. It is important for residents to understand that Special Education costs are rising faster than increases in Supplemental State Aid, which provides the funding model for Special Education. It is also important that residents understand that school districts are bound by law to follow the Individuals with Disabilities Act (IDEA) of 1974. The deficit that results falls squarely on local property taxpayers. So long as the District is required to fund mandated programs without adequate increases in funding, the District will have no choice but to levy for local revenue to support a quality education for Davis County children.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

**Davis County Community School District
Management's Discussion and Analysis
Year Ended June 30, 2020**

Proprietary funds statements offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements of the District's budget for the year.

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. All the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how it has changed. Net position is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating, respectively.

To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Business-type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds—not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship differences between the two statements.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Fund.

**Davis County Community School District
Management's Discussion and Analysis
Year Ended June 30, 2020**

Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.

The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund—school nutrition program.

Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others, such as scholarships.

The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Currently, one scholarship is held in this fund.

Figure A-1 below provides a summary of the District's net position on June 30, 2020 compared to June 30, 2019.

<p align="center">Figure A-1 Condensed Statement of Net Position (Expressed in Thousands)</p>							
	Governmental Activities, June 30,		Business type Activities June 30,		Total District June 30,		Total Change June 30, 2019-2020
	2020	2019	2020	2019	2020	2019	
Current and other assets	\$ 16,589	15,770	139	99	16,728	15,869	5.4%
Capital assets	15,955	13,232	221	265	16,176	13,497	19.8%
Total assets	<u>32,544</u>	<u>29,002</u>	<u>360</u>	<u>364</u>	<u>32,904</u>	<u>29,366</u>	<u>12.0%</u>
Deferred outflows of resources	2,512	3,568	61	93	2,573	3,661	-29.7%
Long-term liabilities	21,081	21,932	233	245	21,314	22,177	-3.9%
Other liabilities	1,870	1,881	98	86	1,968	1,967	0.1%
Total liabilities	<u>22,951</u>	<u>23,813</u>	<u>331</u>	<u>331</u>	<u>23,282</u>	<u>24,144</u>	<u>-3.6%</u>
Deferred inflows of resources	8,099	7,042	50	42	8,149	7,084	15.0%
Net position:							
Invested in capital assets, net of related debt	4,352	1,856	221	265	4,573	2,121	115.6%
Restricted	3,358	2,827	-	-	3,358	2,827	18.8%
Unrestricted	<u>(3,704)</u>	<u>(2,968)</u>	<u>(181)</u>	<u>(181)</u>	<u>(3,885)</u>	<u>(3,149)</u>	<u>23.4%</u>
Total net position	<u>\$ 4,006</u>	<u>1,715</u>	<u>40</u>	<u>84</u>	<u>4,046</u>	<u>1,799</u>	<u>124.9%</u>

Financial Analysis of the District as a Whole

The District has strong fund balances. Experts in school finance recommend a General Fund solvency ratio between 5-15 percent, and the District is at 20.3 percent. The District has determined needs in several areas and is carefully utilizing existing balances to improve those areas. These areas include but are not limited to reducing the learning gap caused by COVID-19, increasing student achievement, improving professional development, updating infrastructure needs and maintaining quality staff.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amount employees earned during the year.

Figure A-2 shows the change in net position for the year ended June 30, 2020 compared to the year ended June 30, 2019.

**Davis County Community School District
Management's Discussion and Analysis
Year Ended June 30, 2020**

Figure A-2 Changes in Net Position (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2020	2019	2020	2019	2020	2019	2019-2020
Revenues:							
Program revenues:							
Charges for service	\$ 1,236	1,237	205	282	1,441	1,519	-5.1%
Operating grants, contributions and restricted interest	3,908	3,889	673	514	4,581	4,403	4.0%
General revenues:							
Property tax	5,687	5,631	-	-	5,687	5,631	1.0%
Local option sales and service tax	1,195	1,169	-	-	1,195	1,169	2.2%
Unrestricted state grants	5,120	4,755	-	-	5,120	4,755	7.7%
Unrestricted investment earnings	111	185	-	-	111	185	-40.0%
Other	176	260	(26)	(29)	150	231	-35.1%
Total revenues	17,433	17,126	852	767	18,285	17,893	2.2%
Program expenses:							
Governmental activities:							
Instruction	10,059	9,518	-	-	10,059	9,518	5.7%
Support services	6,015	5,697	-	-	6,015	5,697	5.6%
Non-instructional programs	-	-	898	871	898	871	3.1%
Other expenses	915	2,546	-	-	915	2,546	-64.1%
Total expenses	16,989	17,761	898	871	17,887	18,632	-4.0%
Change in net position	444	(635)	(46)	(104)	398	(739)	-153.9%
Net position beginning of year, as restated	3,562	2,350	86	188	3,648	2,538	43.7%
Net position end of year	\$ 4,006	1,715	40	84	4,046	1,799	124.9%

In fiscal year 2020, property tax and unrestricted state grants accounted for 62% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for all of business type activities revenues. The District's total revenues were \$18.285 million, of which approximately \$17.4 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-2, the District as a whole experienced a 2.2% increase in revenues and a 4% decrease in expenses.

In the 2019-20 school year:

The District used the Physical Plant and Equipment Levy (PEEL) Fund for renting of a wash bay area for the transportation department, rental of the local theater for high school and middle school plays and musicals and rent of the local recreation center when needed for overflow sports activities.

The District used sales tax revenue in fiscal year 2020 to purchase the Indian Hills Community College satellite center building located next to the high school building and will remodel it for flexible education programs. New outside doors were installed in the remodeled Field House. A new elementary playground surface, a new air handler in the elementary building and new cabinets in the high school band room were also installed. District technology needs were paid for with sales tax revenue as well.

The District was successful in passing a \$7,400,000 General Obligation Bond issue in February 2017. Bond proceeds have already been used to renovate the existing athletic stadium and construct a new track and field. Bond projects completed in fiscal year 2020 included renovation of the west wing in the Middle School building and renovations in the Field House of existing locker rooms and remodel work to

construct two additional locker rooms. Construction work continued at the new West Sports Complex that will include new baseball and softball fields and concessions building. The West Sports Complex should be complete and ready for use in the spring of 2021.

**Davis County Community School District
Management's Discussion and Analysis
Year Ended June 30, 2020**

The District continues with partial self-funding regarding the medical insurance plans offered by the District. The District purchased two medical insurance plans from Wellmark but offered four plans to employees. The money saved on premiums paid to Wellmark goes in a partial self-funding account and that money is used to buy down the deductibles of the medical plans offered to the deductible amounts of the two medical insurance plans the District purchases from Wellmark. The internal service fund entitled Partially Self-funded Insurance finished fiscal year 2020 with a net position of \$219,976.

Sales tax revenues in the amount of \$734,312.52 were transferred to the Debt Service Fund for the sales tax revenue bond payments as well as \$40,000 for the Rural Economic Development Loan payment.

The following table, A-3, presents the cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2020 compared to the year ended June 30, 2019.

Figure A-3						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services		Change	Net Cost of Services		Change
	2020	2019	2019-2020	2020	2019	2019-2020
Instruction	\$ 10,059	9,518	5.7%	5,836	5,211	12.0%
Support services	6,015	5,697	5.6%	5,594	5,368	4.2%
Other expenses	915	2,546	-64.1%	415	2,056	-79.8%
Totals	\$ 16,989	17,761	-4.3%	11,845	12,635	-6.3%

The cost of all governmental activities this year was \$16,989,147. Support Services expenses increased due to the need for nursing purchased services, instructional software purchases, repair services, expenses related to the pandemic and bus purchases. Premium expense for participation in the equipment maintenance insurance program was a new expense. Other expenses decreased due to a correction because the fiscal year 2019 audit did not allocate facilities expense to construction in progress. Said correction was made in this report and most of the fiscal year 2020 facilities expense was taken out of expense and shown as capital assets.

The portion of the cost financed by users of the District's programs was \$11,844,428.

The net portion of the governmental activities was financed with \$7,797,730 in property and sales tax and \$5,119,577 in state sources.

Business-type Activities

The District's business-type activity is the School Nutrition Fund. Revenues from these activities were comprised of charges for services, federal and state reimbursements and investment income. Revenues in the District's business-type activities increased by \$85,497 to \$852,519 in fiscal year 2020. Expenses increased from \$870,529 in fiscal year 2019 to \$898,275 in fiscal year 2020 for an increase of \$27,746.

Financial Analysis of the District Funds

As previously noted, the Davis County Community School District uses fund accounting to ensure and demonstrate compliance with the finance-related legal requirements.

Governmental Fund Highlights

The General Fund balance was \$3,312,435, a net decrease of \$47,134 from the prior year, or 1.4 percent.

Debt Service Fund balance was \$1,877,060, a net increase of \$469,283 from the prior year, or 33.33 percent.

The Management Levy Fund balance was \$363,203, a net decrease of \$23,115 from the prior year, or 5.98 percent.

The Student Activity Fund balance was \$213,970, a net increase of \$58,005 from the prior year, or 37.19 percent.

**Davis County Community School District
Management's Discussion and Analysis
Year Ended June 30, 2020**

The balance of the Statewide Sales, Services, and Use Tax portion of the Capital Projects Fund was \$427,824, a net increase of \$46,165 from the prior year, or 12.09 percent.

The balance of the Other Capital Projects portion of the Capital Projects Fund was \$1,714,509. The district continues to use these bond proceeds for the projects associated with the 2017 G.O. Bond.

The Physical Plant and Equipment Levy Fund balance was \$130,946, a net increase of \$99,703 from the prior year.

The fund balance total of all Governmental Funds decreased from \$8,217,892 to \$8,039,947. This was a decrease of 2.16 percent, mostly due to the Governmental Obligation Bonds in the Capital Projects Fund.

General Fund revenues continue to be affected by adequate and timely supplemental state aid (formerly allowable growth). School districts have a difficult time preparing certified budgets when revenue estimates are unknown. A balance between the reduction in the Cash Reserve Levy and the increased revenues resulting from Transportation Equity, increase in District Cost Per Pupil, and now CARES Act funds has yet to be stabilized. As revenues become more consistent in the future, increased stability in revenues will likely occur.

Business-type Highlights

The 2020 fiscal year ended with a revenue increase that was more than the increase in expenses in the School Nutrition Fund. The Healthy Kids Act continues to have a big influence. The net position of \$40,215 at the end of fiscal year 2020 for this fund was a \$45,756 decrease from the prior year, most of which was attributed to higher expense for employee salaries and benefits.

The USDA's request for districts to increase their lunch and breakfast prices to equal the federal reimbursement rate for free and reduced meals is requiring the District to increase its student meal prices some each year. The District does not expect this to increase revenues drastically because it will basically just rearrange revenues from federal to local revenue.

When the COVID-19 pandemic hit in March 2020 and school districts were closed, our district knew there were students in our community who rely on the meals served at school. During the school closure and through the summer until in-person learning began again in August, food service and transportation employees worked to prepare and deliver meals, if needed, to students in our community. The relief provided by the USDA made this possible.

When the school district closed in response to Governor Reynolds directive in March, this suspended several students' nutrition and education processes. The school nutrition department immediately enacted a plan to pattern delivery of meals for students, using the summer lunch program's process, on a larger and more personal delivery system.

A call center was set up at the transportation dispatch office along with an internet survey system that allowed parents to request meals be delivered to their house for the number of students living there. Instead of delivering to small towns and communities with the students coming to the lunch bus for meals, which was the summer lunch program requirement, the district was able to utilize its suburban fleet and deliver directly to student homes.

On the first day of deliveries and until the end of May 2020, the nutrition program utilized seven Suburbans with two employees in each vehicle. This allowed for safety of the employees when delivering directly to the homes and it allowed the employees to have pride in their work, instead of sitting at home receiving a paycheck. During the summer months, the nutrition department became more efficient with its delivery system and reduced the fleet to five Suburbans and two employees per vehicle.

When classes began in the fall, the district started with a hybrid system. Only half of the students came to the school building at a time with the other half learning online from home. The nutrition department delivered meals to the students on the days they were not in school buildings. When school resumed with all students in attendance in November the nutrition department reduced the fleet to one suburban with two employees delivering meals to students who chose online learning instead of returning to the classroom.

When we reflect back over last year and the Covid-19 effect on the learning of our students, the school nutrition department can take great pride in knowing that they did their part in providing nutritious meals for the health and growth of Davis County youth.

2019 summer lunch (June, July August) program meals served-1,881 breakfast 9,997 lunch.

2020 summer lunch (June, July, August) program meals served-37,362 breakfast 38,307 lunch.

**Davis County Community School District
Management's Discussion and Analysis
Year Ended June 30, 2020**

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice for all funds, except component units, internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on a modified accrual basis.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget," which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget more than its spending authority.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance of the budgetary concept does not mean the "actual General Fund cash." It is imperative for patrons of District financial information to make this important distinction. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund) or actual financial position (unassigned General Fund balance) of the District.

Capital Asset and Debt Administration

**Figure A-4
Capital Assets, net of Depreciation
(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2020	2019	2020	2019	2020	2019	2019-2020
Land	\$ 281	281	-	-	281	281	0.0%
Construction in progress	583	-	-	-	583	-	-
Buildings	8,943	9,114	-	-	8,943	9,114	-1.9%
Improvements other than buildings	5,157	3,160	-	-	5,157	3,160	63.2%
Furniture and equipment	991	677	221	265	1,212	942	28.7%
Totals	\$ 15,955	13,232	221	265	16,176	13,497	19.8%

By the end of fiscal year 2020, the District had invested \$16,175,976, net of accumulated depreciation, in a broad range of capital assets including land, buildings, athletic facilities, technology equipment and transportation equipment. Of this total, \$15,954,983 was included in governmental activities and \$220,993 was in business type activities.

Long-term Debt

**Figure A-5
Outstanding Long-Term Obligations
(Expressed in Thousands)**

	Total District		Total Change
	June 30,		June 30,
	2020	2019	2019-2020
General obligation bonds	\$ 6,485	6,785	-
Revenue bonds	6,355	6,915	-8.1%
Notes	20	60	0.0%
Bond premiums	304	329	-7.6%
Bond discounts	(200)	(217)	-7.8%
Capital leases	353	-	-
Compensated absences	43	35	22.9%
Net pension liability	7,099	7,984	-11.1%
Net OPEB liability	855	286	199.0%
Totals	\$ 21,314	22,177	-3.9%

**Davis County Community School District
Management's Discussion and Analysis
Year Ended June 30, 2020**

At year-end, the District had \$21,314,757 in sales tax revenue bond debt and other long-term outstanding debt. The decrease involves the General Obligation Bond, Series 2017, and the Revenue Bonds. The Rural Economic Development Loan continues to decrease.

\$300,000 was paid on the principal debt for the General Obligation Bonds, Series 2017. A principal amount of \$6,485,000 remains.

\$560,000 was paid on the principal debt for the 2015 refinanced sales tax Revenue Bonds (high school building project), and a principal amount of \$6,355,000 remains.

\$40,000 was paid on the no-interest Rural Economic Development Loan through Southern Iowa Electric Coop. The remaining principal amount is \$20,000. The loan is being repaid \$10,000 quarterly beginning in January 2012. Loan repayment will be completed in October 2020. The loan is being repaid from sales tax revenue for Capital Projects expenditures.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future.

- Projections in supplemental state aid rates will continue to be lower than what is needed to sustain historical increases in expenditure trends.
- The district is considering increasing participation in operational sharing arrangements with neighboring school districts to combat Supplemental State Aid insufficient to maintain pace of inflation.
- Employee contract settlements. The district is in the second year of a two-year contract with bargaining units. Both units have agreed to an increase in total package for the second year at a rate consistent with Supplemental State Aid.
- CARES Act (ESSER) funds have been distributed to the district in round 1 (ESSER 1) and have been expended. ESSER 2 funds will be available to the district as reimbursements for qualified expenditures. The district will be required to use cash on hand to make qualified purchases. This may cause the district to borrow funds for expenditures to be reimbursed later as the district may not have enough cash on hand to cover eligible expenditures.
- Increased Employer contributions for IPERS, along with limited increases in funding through Supplemental State Aid (SSA), has hindered the district's financial capability to provide salary and wage increases consistent with cost-of-living increases. Lack of increases in salaries and wages to the education profession has contributed to a teacher shortage that is being experienced across the state. School districts will need to be aggressive in providing competitive salaries and benefit packages to secure future employees.
- Increased revenues available because of Transportation equity and increases in District Cost Per Pupil funding will have a significant impact on the financial health of the district over time. The district will continue developing ways to expend this increase in funding in ways that will best improve the quality of education at Davis County.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Betsy Bassett, Board Secretary/Business Manager, Davis County Community School District, 608 South Washington Street, Bloomfield, Iowa 52537-2137.

Basic Financial Statements

Davis County Community School District
Statement of Net Position
June 30, 2020

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 9,511,570	122,062	9,633,632
Receivables:			
Property tax:			
Delinquent	43,508	-	43,508
Succeeding year	6,179,094	-	6,179,094
Income surtax	63,628	-	63,628
Accounts	3,990	89,124	93,114
Due from other funds	78,284	(78,284)	-
Due from other governments	708,765	-	708,765
Inventories	-	6,617	6,617
Capital assets, net of accumulated depreciation	15,954,983	220,993	16,175,976
Total assets	32,543,822	360,512	32,904,334
Deferred Outflows of Resources			
Deferred charge on refunding	514,585	-	514,585
Pension related deferred outflows	1,997,800	60,852	2,058,652
Total deferred outflows of resources	2,512,385	60,852	2,573,237
Liabilities			
Excess of warrants over bank balance	370,522	-	370,522
Accounts payable	177,139	43,123	220,262
Salaries and benefits payable	1,188,079	30,212	1,218,291
Other payable	32,556	-	32,556
Advances from prepaid lunches	-	24,500	24,500
Accrued interest payable	101,410	-	101,410
Long-term liabilities:			
Portion due within one year:			
General obligations bonds	305,000	-	305,000
Revenue bonds	570,000	-	570,000
Notes	20,000	-	20,000
Capital leases payable	117,929	-	117,929
Compensated absences	39,992	2,792	42,784
Portion due after one year:			
General obligations bonds	6,275,942	-	6,275,942
Revenue bonds	5,793,378	-	5,793,378
Capital leases payable	235,571	-	235,571
Net pension liability	6,885,506	213,547	7,099,053
Net OPEB liability	837,973	17,127	855,100
Total liabilities	22,950,997	331,301	23,282,298
Deferred Inflows of Resources			
Unavailable property tax revenue	6,179,094	-	6,179,094
Unavailable income surtax revenue	63,628	-	63,628
Advances from Federal grantors	309,292	-	309,292
Pension related deferred inflows	1,547,541	49,848	1,597,389
Total deferred inflows of resources	8,099,555	49,848	8,149,403
Net Position			
Net investment in capital assets	4,351,672	220,993	4,572,665
Restricted for:			
Management levy purposes	363,203	-	363,203
Physical plant and equipment	130,946	-	130,946
Debt service	1,775,650	-	1,775,650
School infrastructure	427,824	-	427,824
Student activities	213,970	-	213,970
Internal service	8,606	-	8,606
Categorical funding	437,525	-	437,525
Unrestricted	(3,703,741)	(180,778)	(3,884,519)
Total net position	\$ 4,005,655	40,215	4,045,870

See notes to financial statements.

Davis County Community School District
Statement of Activities
Year ended June 30, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
Instruction:						
Regular	\$ 6,238,001	842,270	1,913,571	(3,482,160)	-	(3,482,160)
Special	1,696,630	179,037	587,213	(930,380)	-	(930,380)
Other	2,124,047	215,093	485,520	(1,423,434)	-	(1,423,434)
	10,058,678	1,236,400	2,986,304	(5,835,974)	-	(5,835,974)
Support Service:						
Student	353,827	-	-	(353,827)	-	(353,827)
Instructional staff	935,243	-	-	(935,243)	-	(935,243)
Administration	2,087,930	-	-	(2,087,930)	-	(2,087,930)
Operation and maintenance of plant	1,421,642	-	-	(1,421,642)	-	(1,421,642)
Transportation	1,216,507	-	421,859	(794,648)	-	(794,648)
	6,015,149	-	421,859	(5,593,290)	-	(5,593,290)
Other expenditures:						
Facilities acquisition	-	-	-	-	-	-
Long-term debt interest	415,164	-	-	(415,164)	-	(415,164)
AEA flowthrough	500,156	-	500,156	-	-	-
	915,320	-	500,156	(415,164)	-	(415,164)
Total governmental activities	16,989,147	1,236,400	3,908,319	(11,844,428)	-	(11,844,428)
Business type activities:						
Non-instructional programs:						
Food service operations	898,275	204,780	673,234	-	(20,261)	(20,261)
Total	\$ 17,887,422	1,441,180	4,581,553	(11,844,428)	(20,261)	(11,864,689)
General revenues and transfers:						
Property tax levied for:						
General purposes				\$ 4,611,565	-	4,611,565
Debt service				957,730	-	957,730
Capital outlay				117,963	-	117,963
Statewide sales, services and use tax				1,195,152	-	1,195,152
Unrestricted state grants				5,119,577	-	5,119,577
Unrestricted investment earnings				111,168	568	111,736
Other				66,388	-	66,388
Gain (loss) on disposal of assets				944	-	944
Contributions not restricted to specific programs				73,438	8,451	81,889
Transfers in (out)				34,514	(34,514)	-
Total general revenues				12,288,439	(25,495)	12,262,944
Change in net position				444,011	(45,756)	398,255
Net position beginning of year, as restated				3,561,644	85,971	3,647,615
Net position end of year				\$ 4,005,655	40,215	4,045,870

See notes to financial statements.

Davis County Community School District
Balance Sheet
Governmental Funds
June 30, 2020

	General	Debt Service	Capital Projects	Non-Major	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 4,520,481	1,870,850	2,312,195	579,462	9,282,988
Receivables:					
Property tax:					
Delinquent	33,440	7,429	915	1,724	43,508
Succeeding year	4,415,398	1,108,137	135,559	520,000	6,179,094
Income surtax	63,628	-	-	-	63,628
Accounts	3,990	-	-	-	3,990
Due from other funds	78,284	-	-	-	78,284
Due from other governments	608,054	-	100,711	-	708,765
Total assets	\$ 9,723,275	2,986,416	2,549,380	1,101,186	16,360,257
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 58,616	1,000	113,510	4,013	177,139
Excess of warrants issued over bank balance	343,271	219	27,032	-	370,522
Salaries and benefits payable	1,188,079	-	-	-	1,188,079
Deposits payable	32,556	-	-	-	32,556
Total liabilities	1,622,522	1,219	140,542	4,013	1,768,296
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	4,415,398	1,108,137	135,559	520,000	6,179,094
Income surtax	63,628	-	-	-	63,628
Advances from Federal grantors	309,292	-	-	-	309,292
Total deferred inflows of resources	4,788,318	1,108,137	135,559	520,000	6,552,014
Fund balances:					
Restricted for:					
Categorical funding	437,525	-	-	-	437,525
Debt service	-	1,877,060	-	-	1,877,060
Management levy purposes	-	-	-	363,203	363,203
Student activities	-	-	-	213,970	213,970
School infrastructure	-	-	2,142,333	-	2,142,333
Physical plant and equipment	-	-	130,946	-	130,946
Unassigned	2,874,910	-	-	-	2,874,910
Total fund balances	3,312,435	1,877,060	2,273,279	577,173	8,039,947
Total liabilities, deferred inflows of resources and fund balances	\$ 9,723,275	2,986,416	2,549,380	1,101,186	16,360,257

See notes to financial statements.

**Davis County Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
June 30, 2020**

Total fund balances of governmental funds	\$ 8,039,947
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***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	15,954,983
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The Internal Service Fund is used by management to charge the costs of partial self funding of the District's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	228,582
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Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(101,410)
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Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 1,997,800	
Deferred inflows of resources	(1,547,541)	450,259

Long-term liabilities, including bonds and notes payable, bond discounts and premiums, deferred charge on refunding, compensated absences, net pension liability and other postemployment benefits payable are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.

Those liabilities consist of:

General obligation bonds payable	(6,485,000)	
Revenue bonds payable	(6,355,000)	
Notes payable	(20,000)	
Bond discount, net	200,010	
Bond premium, net	(304,330)	
Deferred charge on refunding, net	514,585	
Capital leases payable	(353,500)	
Compensated absences	(39,992)	
Net pension liability	(6,885,506)	
Other postemployment benefits	(837,973)	(20,566,706)

Net position of governmental activities	\$ 4,005,655
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See notes to financial statements.

Exhibit E

Davis County Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2020

	General	Debt Service	Capital Projects	Non-Major	Total
Revenues:					
Local sources:					
Local tax	\$ 4,281,831	933,358	114,961	216,887	5,547,037
Tuition	998,517	-	-	-	998,517
Other	201,751	3,489	43,003	238,840	487,083
State sources	8,284,484	24,677	1,198,192	5,587	9,512,940
Federal sources	852,123	-	-	-	852,123
Total revenues	14,618,706	961,524	1,356,156	461,314	17,397,700
Expenditures:					
Current:					
Instruction:					
Regular	5,365,308	-	-	-	5,365,308
Special	1,612,525	-	-	-	1,612,525
Other	1,871,676	-	-	190,289	2,061,965
	8,849,509	-	-	190,289	9,039,798
Support services:					
Student	335,990	-	-	-	335,990
Instructional staff	828,377	-	-	-	828,377
Administration	1,777,484	-	110,282	76,794	1,964,560
Operation and maintenance of plant	1,340,656	-	18,840	142,435	1,501,931
Transportation	1,091,557	-	353,500	26,906	1,471,963
	5,374,064	-	482,622	246,135	6,102,821
Other expenditures:					
Facilities acquisition	-	-	1,086,705	-	1,086,705
Long-term debt:					
Principal	-	900,000	-	-	900,000
Interest and fiscal charges	-	367,554	-	-	367,554
AEA flowthrough	500,156	-	-	-	500,156
	500,156	1,267,554	1,086,705	-	2,854,415
Total expenditures	14,723,729	1,267,554	1,569,327	436,424	17,997,034
Excess (deficiency) of revenues over (under) expenditures	(105,023)	(306,030)	(213,171)	24,890	(599,334)
Other financing sources (uses):					
Proceeds from capital leases	-	-	353,500	-	353,500
Proceeds from disposal of assets	33,375	-	-	-	33,375
Transfers in	34,514	775,313	-	10,000	819,827
Transfers out	(10,000)	-	(775,313)	-	(785,313)
Total other financing sources (uses)	57,889	775,313	(421,813)	10,000	421,389
Net change in fund balances	(47,134)	469,283	(634,984)	34,890	(177,945)
Fund balances beginning of year, as restated	3,359,569	1,407,777	2,908,263	542,283	8,217,892
Fund balances end of year	\$ 3,312,435	1,877,060	2,273,279	577,173	8,039,947

See notes to financial statements.

Davis County Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2020

Net change in fund balances - total governmental funds \$ (177,945)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. These costs are not reported in the Statement of Activities, but they are allocated over the estimated useful lives of the capital assets as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$	1,868,297	
Depreciation expense		(847,261)	
Gain (loss) on disposal of assets		(32,431)	
		988,605	

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in Net Position of the Internal Service Fund is reported with governmental activities. 79,185

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of issuance costs and premiums, whereas these amounts are deferred in and amortized in the Statement of Activities. The amounts in the current year are as follows:

Principal repaid	900,000		
Capital lease proceeds	(353,500)		
Amortization of deferred refunding charge	(57,176)		
Amortization of bond discounts	(17,258)		
Amortization of bond premiums	24,350		
	496,416		

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,474

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 868,547

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(7,603)		
Pension expense	(1,266,608)		
OPEB expense	(539,060)		
	(1,813,271)		

Change in net position of governmental activities \$ 444,011

See notes to financial statements.

Exhibit G

Davis County Community School District
Statement of Net Position
Proprietary Funds
June 30, 2020

	Business Type Activities Enterprise, School Nutrition	Governmental Activities Internal Service Funds
Assets		
Current assets:		
Cash, cash equivalents and pooled investments	\$ 122,062	228,582
Accounts receivable	89,124	-
Inventories	6,617	-
Total current assets	217,803	228,582
Noncurrent assets:		
Capital assets, net of accumulated depreciation	220,993	-
Total assets	438,796	228,582
Deferred Outflows of Resources		
Pension related deferred outflows	60,852	-
Liabilities		
Current Liabilities:		
Accounts payable	43,123	-
Due to other funds	78,284	-
Salaries and benefits payable	30,212	-
Advances from prepaid lunches	24,500	-
Compensated absences	2,792	-
Total current liabilities	178,911	-
Noncurrent liabilities:		
Net pension liability	213,547	-
Total OPEB liability	17,127	-
Total noncurrent liabilities	230,674	-
Total liabilities	409,585	-
Deferred Inflows of Resources		
Pension related deferred inflows	49,848	-
	49,848	-
Net Position		
Net investment in capital assets	220,993	-
Restricted for:		
Flexible benefits	-	8,606
Unrestricted	(180,778)	219,976
Total net position	\$ 40,215	228,582

See notes to financial statements.

Exhibit H

Davis County Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2020

	Business Type Activities	Governmental Activities
	Enterprise, School Nutrition	Internal Service Funds
Operating revenue:		
Local sources:		
Operating revenues	\$ 204,780	129,947
Operating expenses:		
Instructional programs:		
Support services:		
Other	-	51,204
Non-instructional programs:		
Food service operations:		
Salaries	304,766	-
Benefits	109,572	-
Purchased services	3,529	-
Supplies	431,768	-
Depreciation	46,257	-
Miscellaneous	2,383	-
Total operating expenses	898,275	51,204
Operating income (loss)	(693,495)	78,743
Non-operating revenues:		
Interest income	568	442
State sources	5,531	-
Federal sources	667,703	-
Contributions	8,451	-
Total non-operating revenues	682,253	442
Income (loss) before other financing sources (uses)	(11,242)	79,185
Other financing sources (uses):		
Transfers out	(34,514)	-
Total other financing sources (uses)	(34,514)	-
Change in net position	(45,756)	79,185
Net position beginning of year, as restated	85,971	149,397
Net position end of year	\$ 40,215	228,582

See notes to financial statements.

Exhibit I

Davis County Community School District
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2020

	Business Type Activities	Governmental Activities
	Enterprise, School Nutrition	Internal Service Funds
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 141,836	-
Cash received from miscellaneous operating activities	-	129,947
Cash payments to employees for services	(365,316)	-
Cash payments to suppliers for goods or services	(328,846)	(51,204)
Net cash provided (used) by operating activities	(552,326)	78,743
Cash flows from non-capital financing activities:		
State grants received	5,531	-
Federal grants received	592,639	-
Contributions	8,451	-
Loans from other funds	34,514	-
Transfers in (out)	(34,514)	-
Net cash provided by non-capital financing activities	606,621	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(2,068)	-
Net cash used by capital and related financing activities	(2,068)	-
Cash flows from investing activities:		
Interest on investments	568	442
Net cash provided by investing activities	568	442
Net increase (decrease) in cash and cash equivalents	52,795	79,185
Cash and cash equivalents at beginning of year, as restated	69,267	149,397
Cash and cash equivalents at end of year	\$ 122,062	228,582
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	\$ (693,495)	78,743
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:		
Commodities used	75,064	-
Depreciation	46,257	-
Decrease in inventories	4,768	-
(Increase) in accounts receivable	(69,208)	-
Increase in accounts payable	29,002	-
Increase in salaries and benefits payable	19,691	-
Increase in advances from prepaid lunches	6,264	-
Increase in compensated absences	55	-
(Decrease) in net pension liability	(28,111)	-
Increase in OPEB liability	16,717	-
Decrease in deferred outflows of resources	32,452	-
Increase in deferred inflows of resources	8,218	-
Net cash provided (used) by operating activities	\$ (552,326)	78,743
Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Position:		
Current assets:		
Cash, cash equivalents and pooled investments	\$ 122,062	228,582
Cash and cash equivalents at year end	\$ 122,062	228,582
Non-cash investing, capital and financing activities:		
During the year ended June 30, 2020, the District received \$75,064 of federal commodities.		

See notes to financial statements.

Exhibit J

Davis County Community School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2020

	Private Purpose Trust Scholarship
Assets	
Cash, cash equivalents and pooled investments	\$ 4,594
Total assets	<u>\$ 4,594</u>
Liabilities	
Due to others	\$ -
Net position	
Restricted for scholarships	<u>\$ 4,594</u>

See notes to financial statements.

Exhibit K

Davis County Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year ended June 30, 2020

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Contributions	\$ -
Interest on investments	7
Total additions	<u>7</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>-</u>
Change in net position	7
Net position beginning of year	<u>4,587</u>
Net position end of year	<u><u>\$ 4,594</u></u>

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

Davis County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-K through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as career and technical and recreational courses. The geographic area served includes the City of Bloomfield, Iowa and the predominate agricultural territory in portions of Davis and Van Buren counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Davis County Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Davis County Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Davis County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

The District reports the following non-major proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service Funds are used to account for goods or services provided by one department to other departments of the District on a cost reimbursement basis. The District had the following internal service funds:

Self-Insurance Fund: This fund accounts for transactions for self-insured health insurance received by District employees in which the District is responsible for paying all claims and administrative costs attributable to the insurances listed above.

Flexible Benefits: This fund accounts for transactions for certain benefits available to District employees in which the District is responsible for paying all premiums or costs specified by the employee.

The District also reports fiduciary funds which focus on net position and change in net position. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at amortized cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2019.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reported capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	2,500

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	20-50
Furniture and equipment	5-15

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position applicable to a future year(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments, contributions from the District after the measurement date but before the end of the District's reporting period, and the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2020. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to / deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the Davis County Community School District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Enterprise, School Nutrition Fund.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding years property tax receivable and income tax receivable that will not be recognized as revenue until the year for which it is levied and unrecognized items not yet charged to pension and OPEB expense.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2020, expenditures exceeded the budgeted amount in the support services and non-instructional programs functional areas.

(2) **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2020, the District had investments as follows:

Success Bank Certificate of Deposit	\$	2,605
First Iowa State Bank Certificate of Deposit		3,229
Iowa Schools Joint Investment Trust		
Diversified Portfolio		1,996,117
UMB Bank		
National Public Finance Guarantee		1
Government and Agency Bonds		475,000
Goldman Sachs Financial Square Government Fund		1,400,565
	<u>\$</u>	<u>3,877,517</u>

The investments in the Iowa School Joint Investment Trust Direct (ISJIT) are valued at an amortized cost. There were no limitations or restrictions on withdrawal of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services.

(3) **Due from and Due to Other Funds**

The detail of interfund receivables and payables for the year ended June 30, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nutrition	\$ 78,284
		<u>\$ 78,284</u>

The balances are to be repaid by June 30, 2021.

(4) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects, SAVE	\$ 775,313
Student Activity	General	10,000
General	Enterprise, Nutrition	34,514
		<u>\$ 819,827</u>

Davis County Community School District
Notes to Financial Statements
June 30, 2020

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 281,330	-	-	281,330
Construction in progress	1,727,289	406,796	(1,550,804)	583,281
Total capital assets not being depreciated	2,008,619	406,796	(1,550,804)	864,611
Capital assets being depreciated:				
Buildings	14,619,215	105,000	-	14,724,215
Improvements other than buildings	4,951,083	2,345,971	(96,134)	7,200,920
Furniture and equipment	2,428,233	561,334	(31,018)	2,958,549
Total capital assets being depreciated	21,998,531	3,012,305	(127,152)	24,883,684
Less accumulated depreciation for:				
Buildings	5,505,895	275,877	-	5,781,772
Improvements other than buildings	1,791,011	316,613	(63,703)	2,043,921
Furniture and equipment	1,743,866	254,771	(31,018)	1,967,619
Total accumulated depreciation	9,040,772	847,261	(94,721)	9,793,312
Total capital assets being depreciated, net	12,957,759	2,165,044	(32,431)	15,090,372
Governmental activities capital assets, net	\$ 14,966,378	2,571,840	(1,583,235)	15,954,983
Business type activities:				
Furniture and equipment	\$ 690,487	2,068	-	692,555
Less accumulated depreciation	425,305	46,257	-	471,562
Business type activities capital assets, net	\$ 265,182	(44,189)	-	220,993

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 440,536
Special	40,020
Other	53,956

Support services:

Student	1,790
Instructional staff	62,075
Administration	40,915
Operation and maintenance of plant	2,987
Transportation	204,982

Total depreciation expense - governmental activities	\$ 847,261
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Business type activities:

Food service operations	\$ 46,257
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Davis County Community School District
Notes to Financial Statements
June 30, 2020

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2020 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,785,000	-	300,000	6,485,000	305,000
GO bonds discount	(82,936)	-	(4,607)	(78,329)	-
GO bonds premium	184,522	-	10,251	174,271	-
Revenue bonds	6,915,000	-	560,000	6,355,000	570,000
Revenue bonds discount	(134,332)	-	(12,651)	(121,681)	-
Revenue bonds premium	144,158	-	14,099	130,059	-
Rural economic development loan	60,000	-	40,000	20,000	20,000
Capital lease payable	-	353,500	-	353,500	117,929
Compensated absences	32,389	39,992	32,389	39,992	39,992
Net pension liability	7,742,471	-	856,965	6,885,506	-
Net OPEB liability	286,306	551,667	-	837,973	-
Total	<u>\$ 21,932,578</u>	<u>945,159</u>	<u>1,796,446</u>	<u>21,081,291</u>	<u>1,052,921</u>
Business type activities:					
Compensated absences	\$ 2,737	2,792	2,737	2,792	2,792
Net OPEB liability	410	16,717	-	17,127	-
Net pension liability	241,658	-	28,111	213,547	-
	<u>\$ 244,805</u>	<u>19,509</u>	<u>30,848</u>	<u>233,466</u>	<u>-</u>

General Obligation Bonds

Details of the District's June 30, 2020 general obligation bonded indebtedness are as follows:

General Obligation Bond Issue of July 6, 2017				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2021	2.00%	\$ 305,000	187,538	492,538
2022	2.00%	310,000	181,437	491,437
2023	2.50%	320,000	175,238	495,238
2024	2.50%	325,000	167,237	492,237
2025	3.00%	335,000	159,113	494,113
2026	3.00%	345,000	149,062	494,062
2027	3.00%	355,000	138,713	493,713
2028	3.00%	365,000	128,062	493,062
2029	3.00%	375,000	117,113	492,113
2030	3.00%	385,000	105,862	490,862
2031	3.00%	400,000	94,313	494,313
2032	3.00%	410,000	82,312	492,312
2033	3.00%	425,000	70,013	495,013
2034	3.00%	435,000	57,262	492,262
2035	3.00%	450,000	44,213	494,213
2036	3.25%	465,000	30,712	495,712
2037	3.25%	480,000	15,600	495,600
		<u>\$ 6,485,000</u>	<u>1,903,800</u>	<u>8,388,800</u>

Revenue Bonds

Details of the District's June 30, 2020 statewide sales, service and use tax revenue bonded indebtedness are as follows:

Refunding Bond Issue of February 10, 2015				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2021	2.00%	\$ 570,000	158,613	728,613
2022	2.00%	585,000	147,062	732,062
2023	2.50%	590,000	133,838	723,838
2024	2.75%	600,000	118,212	718,212
2025	2.75%	620,000	101,438	721,438
2026	2.75%	645,000	84,044	729,044
2027	2.50%	660,000	66,925	726,925
2028	3.00%	675,000	48,550	723,550
2029	2.70%	700,000	28,975	728,975
2030	2.75%	710,000	9,762	719,762
		<u>\$ 6,355,000</u>	<u>897,419</u>	<u>7,252,419</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$9,025,000 of bonds issued in February, 2015. The bonds were issued for the purpose of refunding the prior revenue bond dated June, 2009. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$7,252,419. For the current year, \$560,000 of principal and \$169,912 of interest was paid on the prior bonds and total statewide sales, services and use tax revenues were \$1,195,152.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- \$742,913 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all of the provisions during the year ended June 30, 2020.

Notes

Details of the District's June 30, 2020 Rural Economic Development loan indebtedness are as follows:

Note Issue of December, 2010				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2021	0.00%	\$ 20,000	-	20,000
	Total	<u>\$ 20,000</u>	<u>-</u>	<u>20,000</u>

Capital Lease Payable

The District has entered into a capital lease arrangement for the purchase of 4 buses. The following is a schedule of the future minimum payments required under the lease together with the present value as of June 30, 2020.

Year Ending, June 30	Bus Lease Payment
2021	\$ 122,159
2022	122,159
2023	122,159
Total minimum lease payments	366,477
Less amount representing interest	12,977
Present value of minimum lease payments	<u>\$ 353,500</u>

(7) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be

determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In the fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2020 were \$897,037.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources, Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the District reported a liability of \$7,099,053 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the District's proportion was 0.121777%, which was a decrease of 0.004429% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$1,307,804. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,681	255,245
Changes of assumptions	760,410	-
Net difference between projected and actual earnings on IPERS' investments	335,593	1,135,571
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	45,931	206,573
District contributions subsequent to the measurement date	897,037	-
Total	<u>\$ 2,058,652</u>	<u>1,597,389</u>

\$897,037 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June, 30	
2021	\$ 137,356
2022	(205,984)
2023	(158,877)
2024	(170,714)
2025	(37,555)
	<u>\$ (435,774)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation	
(effective June 30, 2017)	2.60% per annum.
Rates of salary increase	3.25% to 16.25% average, including inflation.
(effective June 30, 2017)	Rates vary by membership group.
Long-term investment rate of return	7.00% compounded annually, net of investment
(effective June 30, 2017)	expense, including inflation.
Wage growth	3.25% per annum, based on 2.60% inflation
(effective June 30, 2017)	and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 12,605,627	\$ 7,099,053	\$ 2,480,200

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2020, the District reported payables to IPERS of \$6,574 for legally required District contributions and \$4,380 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(8) Other Post-Employment Benefits (OPEB)

Plan Description - The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits for employees are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75.

OPEB Benefits - Individuals who are employed by Davis County Community School District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	8
Active Employees	72
	<u>80</u>

Total OPEB Liability - The District's total OPEB liability of \$855,100 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2020)	2.50% per annum.
Rates of salary increase (effective June 30, 2020)	2.50% per annum including inflation
Discount rate (effective June 30, 2020)	2.45% compounded annually, including inflation
Healthcare cost trend rate (effective June 30, 2020)	6.40% initial rate decreasing by 0.50% annually to an ultimate rate of 4.00%

Discount Rate - The discount rate used to measure the total OPEB liability was 2.45% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Changes in the Total OPEB Liability

Total OPEB liability beginning of year	\$ 286,716
Charges for the year:	
Service cost	21,180
Interest	9,876
Difference between expected and actual experiences	430,416
Changes in assumptions	191,713
Benefit payments	(84,801)
Net changes	568,384
Total OPEB liability end of year	\$ 855,100

Changes of assumptions reflect a change in the discount rate from 3.72% in fiscal year 2019 to 2.45% in fiscal year 2020.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.45%) or 1% higher (3.45%) than the current discount rate.

	1% Decrease (1.45%)	Discount Rate (2.45%)	1% Increase (3.45%)
Total OPEB liability			
	\$ 921,167	855,100	794,353

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District as what the District's total liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.40%) or 1% higher (7.40%) than the current healthcare cost trend rates.

	1% Decrease (5.40%)	Healthcare Cost Trend Rate (6.40%)	1% Increase (7.40%)
Total OPEB liability			
	\$ 761,647	855,100	967,976

(9) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$500,156 for the year ended June 30, 2020 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Related Party Transactions

The District had business transactions totaling \$25,400 between the District and District officials during the year ended June 30, 2020.

(12) Tax Abatement

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Entity	Tax Abatement Program	Amount of Tax Abated
City of Bloomfield	Urban renewal and economic development projects	\$ 8,449

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2020, the reimbursement amounted to \$4,012.

(13) Restatement

The beginning net position for governmental activities and the beginning General Fund balance were restated due to a recalculation of the prior year receivables amount, as follows:

	Governmental Activities	Governmental Funds - General Fund	Enterprise Funds School Nutrition
Net position June 30, 2019, as previously reported	\$ 1,714,961	8,105,761	84,369
Prior year Medicaid billing adjustment	113,733	113,733	-
Reallocation of 2018-19 expense between General Fund and Nutrition Fund	(1,602)	(1,602)	1,602
Construction in progress - MS West Wing	1,395,826	-	-
Construction in progress - HS Locker Room and Music Room	154,978	-	-
Construction in progress - West Sports Complex	176,485	-	-
Adjustment to accumulated depreciation	7,263	-	-
Net position June 30, 2019, as restated	\$ 3,561,644	8,217,892	85,971

(14) Categorical Funding

In accordance with IOWA Administrative Code Section 981, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2020.

Program	Amount
Home school assistance program	\$ 47,837
Teacher salary supplement	3,526
Professional development - model core curriculum	10,291
Professional development	47,867
Limited English proficient	5,534
Dropout prevention programs	6,024
Gifted and talented program	316,427
Other grant	19
	<u>\$ 437,525</u>

(15) Subsequent Events

On August 21, 2020, the District and plaintiffs reached a settlement regarding a personal injury claim. The District's insurance provider paid the entire settlement amount.

On October 7, 2020, the District and complainant reached a settlement regarding a civil rights complaint. The District paid \$10,000 of the settled amount while the District's insurance provider paid the remaining amount.

Required Supplementary Information

Davis County Community School District
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Fund
Required Supplementary Information
Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 7,032,637	213,799	7,246,436	7,607,737	7,607,737	(361,301)
State sources	9,512,940	5,531	9,518,471	9,484,006	9,484,006	34,465
Federal sources	852,123	667,703	1,519,826	1,225,080	1,225,080	294,746
Total revenues	17,397,700	887,033	18,284,733	18,316,823	18,316,823	(32,090)
Expenditures/Expenses:						
Instruction	9,039,798	-	9,039,798	9,346,250	9,346,250	306,452
Support services	6,102,821	-	6,102,821	5,688,925	5,793,925	(308,896)
Non-instructional programs	-	898,275	898,275	760,000	760,000	(138,275)
Other expenditures	2,854,415	-	2,854,415	4,622,965	4,622,965	1,768,550
Total expenditures/expenses	17,997,034	898,275	18,895,309	20,418,140	20,523,140	1,627,831
Excess (deficiency) of revenues over (under) expenditures/expenses	(599,334)	(11,242)	(610,576)	(2,101,317)	(2,206,317)	(1,595,741)
Other financing sources, net	421,389	(34,514)	386,875	-	-	(386,875)
Change in fund balance	(177,945)	(45,756)	(223,701)	(2,101,317)	(2,206,317)	(1,982,616)
Balances beginning of year, as restated	8,217,892	85,971	8,303,863	7,472,370	7,472,370	(831,493)
Balances end of year	\$ 8,039,947	40,215	8,080,162	5,371,053	5,266,053	(2,814,109)

See accompanying independent auditor's report.

Davis County Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year Ended June 30, 2020

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's Budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing the budgeted expenditures by \$105,000.

During the year ended June 30, 2020, expenditures exceeded the amount budgeted in the support services and non-instructional programs functional areas.

Davis County Community School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Iowa Public Employee's Retirement System
For the Last Six Years* (In Thousands)
Required Supplementary Information

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.121777%	0.126206%	0.125790%	0.125712%	0.123797%	0.121116%
District's proportionate share of the net pension liability	\$ 7,099	7,984	8,304	7,840	6,155	4,902
District's covered payroll	\$ 9,301	9,496	9,305	8,323	8,534	8,088
District's proportionate share of the net pension liability as a percentage of its covered payroll	76.33%	84.08%	89.24%	94.20%	72.12%	60.61%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

**Davis County Community School District
Schedule of District Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years (In Thousands)
Required Supplementary Information**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 897	880	848	831	743	762	722	684	621	512
Contributions in relation to the statutorily required contribution	(897)	(880)	(848)	(831)	(743)	(762)	(722)	(684)	(621)	(512)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 9,503	9,301	9,496	9,305	8,323	8,534	8,088	7,888	7,691	7,368
Contributions as a percentage of covered-employee payroll	9.44%	9.46%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

See accompanying independent auditor's report.

Davis County Community School District
Notes to Required Supplementary Information - Pension Liability
Year Ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Davis County Community School District
Schedule of Changes in the District's
Total OPEB Liability, Related Ratios and Notes
For the Last Three Years
Required Supplementary Information

	2020	2019	2018
Service cost	\$ 21,180	21,180	21,180
Interest cost	9,876	10,773	10,329
Difference between expected and actual experiences	430,416	-	-
Changes in assumptions	191,713	-	-
Recognition of deferred inflows/outflows	-	(6,746)	(7,255)
Benefit payments	(84,801)	(11,260)	(13,340)
Net change in total OPEB liability	568,384	13,947	10,914
Total OPEB liability beginning of year	286,716	272,769	261,855
Total OPEB liability end of year	\$ 855,100	286,716	272,769
Covered-employee payroll	\$ 9,815,490	5,356,092	3,571,599
Total OPEB liability as a percentage of covered-employee payroll	8.71%	5.35%	7.64%

Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2020	2.45%
Year ended June 30, 2019	3.72%
Year ended June 30, 2018	3.72%
Year ended June 30, 2017	2.50%

See accompanying independent auditor's report.

Supplementary Information

Schedule 1

Davis County Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 361,479	217,983	579,462
Receivables:			
Property tax:			
Delinquent	1,724	-	1,724
Succeeding year	520,000	-	520,000
Total assets	\$ 883,203	217,983	1,101,186
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	4,013	4,013
Total liabilities	-	4,013	4,013
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	520,000	-	520,000
Total deferred inflows of resources	520,000	-	520,000
Fund Balances:			
Restricted for:			
Management levy purposes	363,203	-	363,203
Student activities	-	213,970	213,970
Total fund balances	363,203	213,970	577,173
Total liabilities, deferred inflows of resources and fund balances	\$ 883,203	217,983	1,101,186

See accompanying independent auditor's report.

Schedule 2

Davis County Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2020

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 216,887	-	216,887
Other	546	238,294	238,840
State sources	5,587	-	5,587
Total revenues	223,020	238,294	461,314
Expenditures:			
Current:			
Instruction:			
Other	-	190,289	190,289
Support services:			
Administration	76,794	-	76,794
Operation and maintenance of plant	142,435	-	142,435
Transportation	26,906	-	26,906
Total expenditures	246,135	190,289	436,424
Excess (deficiency) of revenues over (under) expenditures	(23,115)	48,005	24,890
Other financing sources (uses):			
Transfers in	-	10,000	10,000
Total other financing sources (uses)	-	10,000	10,000
Change in fund balances	(23,115)	58,005	34,890
Fund balances beginning of year	386,318	155,965	542,283
Fund balances end of year	\$ 363,203	213,970	577,173

See accompanying independent auditor's report.

Schedule 3

Davis County Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2020

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intrafund Transfers	Balance End of Year
Senior High					
Yearbook	\$ 13,899	8,231	9,837	-	12,293
Concessions	19,972	25,729	20,258	-	25,443
Mustang Pride Day	512	-	-	-	512
Athletics	3,809	64,786	50,344	2,257	20,508
Football	11,964	13,172	16,456	-	8,680
Baseball	6,378	670	3,347	-	3,701
Boys Track	42	233	-	-	275
Wrestling	1,495	1,735	2,531	-	699
Cross Country	569	598	199	-	968
Girls Basketball	1,005	-	51	-	954
Boys Basketball	503	-	43	-	460
Girls Softball	8,499	1,001	622	-	8,878
Girls Track	273	233	-	-	506
Girls Volleyball	1,508	1,277	78	-	2,707
Instrumental Music	416	5,912	3,415	-	2,913
Drill/Dance Teams	-	2,231	527	-	1,704
Vocal Music	1,356	568	583	-	1,341
Speech	368	297	573	-	92
3 Act Play	4,749	3,413	3,328	-	4,834
Future Farmers of America	10,935	54,117	41,079	-	23,973
Quiz Bowl	616	-	-	-	616
National Honor Society	1,253	991	435	-	1,809
Cheerleading	1,019	11,107	1,462	-	10,664
Color Guard	820	2,602	2,293	-	1,129
Spanish Club	1,190	-	56	-	1,134
Student Council	2,079	1,530	599	-	3,010
Art Club	3,535	3,706	1,641	-	5,600
Girls Tennis	717	-	-	-	717
Boys Tennis	436	-	-	-	436
Class of 2019	2,257	-	-	(2,257)	-
Class of 2020	2,231	147	1,173	-	1,205
Class of 2021	1,706	1,566	33	-	3,239
Class of 2022	587	195	-	-	782
Class of 2023	3	228	-	-	231
Robotics	5,610	4,805	2,958	-	7,457
Future Educators of America	1,575	-	137	-	1,438
Girls Golf	490	8	-	-	498
Optimist Club	707	1,002	857	-	852
High School Book Club	686	-	-	-	686
Boys Golf	118	8	-	-	126
Home School	522	345	482	-	385
Subtotal	116,409	212,443	165,397	-	163,455

Schedule 3

Davis County Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2020

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intrafund Transfers	Balance End of Year
Middle School					
Athletics	20,656	11,994	12,692	-	19,958
Vocal Music	10,781	4,495	4,000	-	11,276
Instrumental Music	1,261	2,627	2,451	-	1,437
Student Council	2,285	858	500	-	2,643
Yearbook	1,513	3,600	2,595	-	2,518
7th/8th Football	1,449	-	1,100	-	349
7th/8th Girls Basketball	5	-	-	-	5
7th/8th Boys Basketball	61	-	-	-	61
Cross Country	161	-	-	-	161
Girls Track	740	-	-	-	740
8th Volleyball	29	1,277	-	-	1,306
Wrestling	28	-	-	-	28
Robotics Club	587	11,000	1,554	-	10,033
Subtotal	39,556	35,851	24,892	-	50,515
Total	\$ 155,965	248,294	190,289	-	213,970

See accompanying independent auditor's report.

Davis County Community School District
Combining Balance Sheet
Capital Projects Fund Accounts
June 30, 2020

	Capital Projects			
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 327,113	1,855,051	130,031	2,312,195
Receivables:				
Property tax:				
Delinquent	-	-	915	915
Succeeding year	-	-	135,559	135,559
Due from other governments	100,711	-	-	100,711
Total assets	\$ 427,824	1,855,051	266,505	2,549,380
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	113,510	-	113,510
Excess of warrants issued over bank balance	-	27,032	-	27,032
Total liabilities	-	140,542	-	140,542
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	135,559	135,559
Total deferred inflows of resources	-	-	135,559	135,559
Fund balances:				
Restricted for:				
School infrastructure	427,824	1,714,509	-	2,142,333
Physical plant and equipment	-	-	130,946	130,946
Total fund balances	427,824	1,714,509	130,946	2,273,279
Total liabilities, deferred inflows of resources and fund balances	\$ 427,824	1,855,051	266,505	2,549,380

See accompanying independent auditor's report.

Schedule 5

Davis County Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Fund Accounts
Year ended June 30, 2020

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ -	-	114,961	114,961
Other	17,118	25,263	622	43,003
State sources	1,195,152	-	3,040	1,198,192
Total revenues	1,212,270	25,263	118,623	1,356,156
Expenditures:				
Current:				
Support services:				
Administration	110,202	-	80	110,282
Operation and maintenance of plant	-	-	18,840	18,840
Transportation	353,500	-	-	353,500
Other expenditures:				
Facilities acquisition	280,590	806,115	-	1,086,705
Total expenditures	744,292	806,115	18,920	1,569,327
Excess (deficiency) of revenues over (under) expenditures	467,978	(780,852)	99,703	(213,171)
Other financing sources (uses)				
Proceeds from capital leases	353,500	-	-	353,500
Transfers out	(775,313)	-	-	(775,313)
Total other financing sources (uses)	(421,813)	-	-	(421,813)
Change in fund balances	46,165	(780,852)	99,703	(634,984)
Fund balances beginning of year	381,659	2,495,361	31,243	2,908,263
Fund balances end of year	\$ 427,824	1,714,509	130,946	2,273,279

See accompanying independent auditor's report.

Schedule 6

Davis County Community School District
Combining Statement of Net Position
Proprietary Funds
June 30, 2020

	Business Type			
	Activities	Governmental Activities		
	Enterprise Fund	Internal Service Funds		
	School Nutrition	Partially Self-Funded Insurance	Flexible Benefits	Total
Assets				
Current assets:				
Cash, cash equivalents and pooled investments	\$ 122,062	219,976	8,606	228,582
Accounts receivable	89,124	-	-	-
Inventories	6,617	-	-	-
Total current assets	217,803	219,976	8,606	228,582
Noncurrent assets:				
Capital assets, net of accumulated depreciation	220,993	-	-	-
Total assets	438,796	219,976	8,606	228,582
Deferred Outflows of Resources				
Pension related deferred outflows	60,852	-	-	-
Liabilities				
Current liabilities:				
Accounts payable	43,123	-	-	-
Due to other funds	78,284	-	-	-
Salaries and benefits payable	30,212	-	-	-
Advances from prepaid lunches	24,500	-	-	-
Compensated absences	2,792	-	-	-
Total current liabilities	178,911	-	-	-
Noncurrent liabilities:				
Net pension liability	213,547	-	-	-
Total OPEB liability	17,127	-	-	-
Total noncurrent liabilities	230,674	-	-	-
Total liabilities	409,585	-	-	-
Deferred Inflows of Resources				
Pension related deferred inflows	49,848	-	-	-
Total deferred inflows of resources	49,848	-	-	-
Net Position				
Net investment in capital assets	220,993	-	-	-
Restricted for:				
Flexible benefits	-	-	8,606	8,606
Unrestricted	(180,778)	219,976	-	219,976
Total Net Position	\$ 40,215	219,976	8,606	228,582

See accompanying independent auditor's report.

Schedule 7

Davis County Community School District
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2020

	Business Type			
	Activities	Governmental Activities		
	Enterprise Fund	Internal Service Funds		
	School Nutrition	Partially Self-Funded Insurance	Flexible Benefits	Total
Operating revenue:				
Local sources:				
Operating revenues	\$ 204,780	112,480	17,467	129,947
Operating expenses:				
Instructional Programs:				
Support services:				
Other	-	35,328	15,876	51,204
	-	35,328	15,876	51,204
Food services operations:				
Salaries	304,766	-	-	-
Benefits	109,572	-	-	-
Purchased services	3,529	-	-	-
Supplies	431,768	-	-	-
Depreciation	46,257	-	-	-
Miscellaneous	2,383	-	-	-
	898,275	-	-	-
Total operating expenses	898,275	35,328	15,876	51,204
Operating income (loss)	(693,495)	77,152	1,591	78,743
Non-operating revenue:				
Interest income	568	442	-	442
State sources	5,531	-	-	-
Federal sources	667,703	-	-	-
Contributions	8,451	-	-	-
Total non-operating revenue	682,253	442	-	442
Income (loss) before other financing sources (uses)	(11,242)	77,594	1,591	79,185
Other financing sources (uses):				
Transfers out	(34,514)	-	-	-
Total other financing sources (uses)	(34,514)	-	-	-
Change in net position	(45,756)	77,594	1,591	79,185
Net position beginning of year, as restated	85,971	142,382	7,015	149,397
Net position end of year	\$ 40,215	219,976	8,606	228,582

See accompanying independent auditor's report.

Schedule 8

Davis County Community School District
Combining Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2020

	Business Type			
	Activities	Governmental Activities		
	Enterprise Fund	Internal Service Funds		
	Student Nutrition	Partially Self-Funded Insurance	Flexible Benefits	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 141,836	-	-	-
Cash received from miscellaneous operating activities	-	112,480	17,467	129,947
Cash paid to employees for services	(365,316)	-	-	-
Cash paid to suppliers for goods or services	(328,846)	(35,328)	(15,876)	(51,204)
Net cash provided (used) by operating activities	(552,326)	77,152	1,591	78,743
Cash flows from non-capital financing activities:				
State grants received	5,531	-	-	-
Federal grants received	592,639	-	-	-
Contributions	8,451	-	-	-
Loans from other funds	34,514	-	-	-
Transfers in (out)	(34,514)	-	-	-
Net cash provided by non-capital financing activities	606,621	-	-	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(2,068)	-	-	-
Net cash used by capital and related financing activities	(2,068)	-	-	-
Cash flows from investing activities:				
Interest on cash and investments	568	442	-	442
Net cash provided by investing activities	568	442	-	442
Net increase (decrease) in cash and cash equivalents	52,795	77,594	1,591	79,185
Cash and cash equivalents at beginning of year, as restated	69,267	142,382	7,015	149,397
Cash and cash equivalents at end of year	\$ 122,062	219,976	8,606	228,582
Reconciliation of operating gain (loss) to net cash provided (used) by operating activities:				
Operating gain (loss)	\$ (693,495)	77,152	1,591	78,743
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:				
Commodities used	75,064	-	-	-
Depreciation	46,257	-	-	-
(Increase) decrease in inventories	4,768	-	-	-
(Increase) decrease in accounts receivable	(69,208)	-	-	-
Increase (decrease) in accounts payable	29,002	-	-	-
Increase (decrease) in salaries and benefits payable	19,691	-	-	-
Increase (decrease) in advances from prepaid lunches	6,264	-	-	-
Increase (decrease) in compensated absences	55	-	-	-
Increase (decrease) in net pension liability	(28,111)	-	-	-
Increase (decrease) in OPEB liability	16,717	-	-	-
(Increase) decrease in deferred outflows of resources	32,452	-	-	-
Increase (decrease) in deferred inflows of resources	8,218	-	-	-
Net cash provided (used) by operating activities	\$ (552,326)	77,152	1,591	78,743
Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Position:				
Current assets:				
Cash, cash equivalents and pooled investments	\$ 122,062	219,976	8,606	228,582
Cash and cash equivalents at year end	\$ 122,062	219,976	8,606	228,582

Non-cash investing, capital and financing activities:

During the year ended June 30, 2020, the District received \$75,064 of federal commodities.

See accompanying independent auditor's report.

Davis County Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	2019	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues:										
Local sources:										
Local tax	\$ 5,547,037	5,572,241	4,823,562	4,565,701	4,866,250	4,694,394	4,440,736	5,218,900	4,514,183	4,212,154
Tuition	998,517	976,017	1,024,554	904,277	904,245	844,309	703,278	646,647	648,017	556,696
Other	487,083	646,870	495,722	411,472	421,684	348,277	403,130	329,808	554,943	590,253
State sources	9,512,940	9,030,137	9,048,673	8,928,459	8,518,135	8,095,328	7,917,330	6,577,367	6,607,731	6,369,502
Federal sources	852,123	843,317	795,038	714,395	752,942	828,480	714,360	652,416	811,184	1,011,849
Total	\$ 17,397,700	17,068,582	16,187,549	15,524,304	15,463,256	14,810,788	14,178,834	13,425,138	13,136,058	12,740,454
Expenditures:										
Instruction:										
Regular	\$ 5,365,308	5,297,122	5,410,080	5,336,242	5,503,442	5,202,969	5,365,122	5,991,325	5,728,254	5,581,992
Special	1,612,525	1,480,206	1,517,192	1,522,129	1,334,237	1,277,831	1,150,259	1,446,052	1,610,050	1,275,892
Other	2,061,965	2,216,252	2,012,552	2,066,430	2,043,609	2,028,639	1,891,856	728,521	835,838	848,494
Support services:										
Student	335,990	255,194	273,490	265,246	246,849	261,452	255,205	269,932	281,174	270,702
Instructional staff	828,377	758,407	771,061	919,990	641,005	396,279	348,333	273,314	211,987	166,077
Administration	1,964,560	2,120,573	1,876,459	1,773,348	1,693,230	1,631,735	1,522,048	1,461,693	1,458,682	1,542,486
Operation and maintenance of plant	1,501,931	1,293,693	1,335,085	1,136,415	1,064,091	1,028,240	991,232	954,957	905,301	912,164
Transportation	1,471,963	1,215,664	1,195,718	968,011	1,054,649	892,608	827,607	789,594	756,157	670,746
Other expenditures:										
Facilities acquisition	1,086,705	1,640,398	3,714,953	587,823	176,843	200,774	87,660	73,366	119,190	3,344,398
Long-term debt:										
Principal	900,000	880,000	900,000	575,000	585,134	429,866	405,000	320,000	285,000	170,000
Interest and other charges	367,554	382,950	380,138	204,563	192,605	437,847	431,318	445,830	458,093	468,630
AEA flowthrough	500,156	490,062	493,438	472,078	467,209	464,484	450,754	430,125	417,367	460,092
Total	\$ 17,997,034	18,030,521	19,880,166	15,827,275	15,002,903	14,252,724	13,726,394	13,184,709	13,067,093	15,711,673

See accompanying independent auditor's report.

Schedule 10

Davis County Community School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2020

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY 20	\$ 71,992
National School Lunch Program	10.555	FY 20	302,875
Child Nutrition Program CARES Grants to States	10.555	FY 20	265,246
Summer Food Service Program for Children	10.559	FY 20	27,590
			<u>667,703</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 20	<u>409,127</u>
Career and Technical Education - Basic Grants to States	84.048	FY 20	<u>25,401</u>
Rural Education	84.358	FY 20	<u>24,109</u>
Supporting Effective Instruction State Grants	84.367	FY 20	<u>66,419</u>
Student Support and Academic Enrichment Program	84.424	FY 20	<u>23,661</u>
Area Education Agency:			
Special Education - Grants to States	84.027	FY 20	<u>56,379</u>
Total			<u>\$ 1,272,799</u>

See Notes to Schedule of Expenditures of Federal Awards.

Davis County Community School District
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Davis County Community School District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Davis County Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Davis County Community School District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, where in certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3. Indirect Cost Rate

Davis County Community School District uses a federally negotiated indirect cost rate as allowed under the Uniform Guidance.

Note 4. Noncash Assistance

The Schedule includes federal awards in the form of noncash assistance (commodities) received during the year in the amount of \$75,064 related to USDA Commodities grants provided by the U.S. Department of Agriculture passed through the Iowa Department of Education, CFDA No. 10.555.

Note 5. Federal Loan Outstanding

The District participates in the following loan program for which payments are not required to be included on the Schedule of Expenditures of Federal Awards.

<u>CFDA #</u>	<u>Program</u>	<u>Outstanding Balance as of June 30, 2020</u>
10.854	Rural Economic Development Loan	\$20,000



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CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Education of
Davis County Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Davis County Community School District as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 26, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Davis County Community School District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Davis County Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Davis County Community School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Davis County Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part IV of the Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Davis County Community School District's Responses to Findings

Davis County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Davis County Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Davis County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

February 26, 2021



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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Education of Davis County Community School District:

Report on Compliance for Each Major Federal Program

We have audited Davis County Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020. Davis County Community School District's major federal programs are identified in the summary of the auditors results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Davis County Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Davis County Community School District's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of Davis County Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Davis County Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

The management of Davis County Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Davis County Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Davis County Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

February 26, 2021

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the the Uniform Guidance, Section 200.516(a).
- (g) Major programs were as follows:
 - Clustered Programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.555 – Child Nutrition Program CARES Grants to States
 - CFDA Number 10.559 – Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Davis County Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-20 Certified Budget - Expenditures for the year ended June 30, 2020, exceeded the certified budget amount in the support services and non-instructional programs functional areas.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

IV-B-20 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-20 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-20 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Rick Lynch, Brother to Board Member Rod Lynch Lynch Law Office	Legal Services	\$8,043
Doug Dixon, Board Member Mind's Ear Music	Services	604
Jim Kuberski, Board Member until November, 2019	Services	270
Huggins Electric Service, Brother-in-law of Dan Roberts, Director of Support Services	Services	16,483

Recommendation - The District may want to consult legal counsel to determine disposition whether any of these transactions are in violation of the Code of Iowa.

Response - We will consider the need to consult with legal counsel.

Conclusion - Response accepted.

IV-E-20 Restricted Donor Activity – No transactions were noted between the District, District officials, or District employees and restricted donors in compliance with Chapter 68B of The Code of Iowa.

IV-F-20 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

IV-G-20 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

Davis County Community School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

IV-H-20 Certified Enrollment – Variances in the basic enrollment data certified to the Iowa Department of Education were noted.

Recommendation – The certified enrollment data should be corrected.

Response – The Iowa Department of Education and the Iowa Department of Management will be notified of the error.

Conclusion - Response accepted.

IV-I-20 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-J-20 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

IV-K-20 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-L-20 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-M-20 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2020, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	381,659
Revenues/transfers in:			
Sales tax revenues	\$	1,195,152	
Other local revenues		17,118	
Proceeds from capital leases		353,500	1,565,770
			<u>1,947,429</u>
Expenditures/transfers out:			
School infrastructure construction		280,590	
Equipment		463,702	
Transfers to other funds:			
Debt service fund		775,313	1,519,605
			<u>1,519,605</u>
Ending balance		\$	<u>427,824</u>

For the year ended June 30, 2020, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.